

CITY OF AKRON, IOWA

Akron, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2005

CITY OF AKRON, IOWA

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CITY OF AKRON, IOWA

CITY OFFICIALS

YEAR ENDED JUNE 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Before January 2005</u>		
Harold Higman, Jr.	Mayor	January 2008
Bob Frerichs	Member	January 2008
John Lucken	Member	January 2008
Lisa Roggatz	Member	January 2008
Eugene Stabe	Member	January 2006
Ron Wilmot	Member	January 2006

<u>After January 2005</u>		
Harold Higman, Jr.	Mayor	January 2008
Bob Frerichs	Member	January 2008
John Lucken	Member	January 2008
Lisa Roggatz	Member	January 2008
Eugene Stabe	Member	January 2006
Ron Wilmot	Member	January 2006

APPOINTED OFFICIALS

Lori Martin	Clerk	Indefinite
Karen Wardrip	Treasurer	Indefinite
David Stuart	Attorney	Indefinite



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants
Member Private Companies Practice Section of AICPA

522 4TH STREET, SUITE 200
SIOUX CITY, IA 51101-1620
(712) 258-5550
FAX (712) 277-6705

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Akron, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Akron, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Akron's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in the notes, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Akron, Iowa, as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in the notes to the financial statements.

To the Honorable Mayor and
Members of the City Council
City of Akron, Iowa

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005 on our consideration of the City of Akron's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akron's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sioux City, Iowa
September 2, 2005

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Akron provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 Financial Highlights

- Receipts of the City's governmental activities decreased 37 percent, or approximately \$713,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$104,000 and note proceeds decreased \$526,000.
- Disbursements of the City's governmental activities decreased 25 percent, or approximately \$445,000, in fiscal 2005 from fiscal 2004. Capital projects disbursements decreased approximately \$703,000. Public safety and debt service disbursements increased approximately \$173,000 and \$106,000, respectively.
- The City's total cash basis net assets decreased 18 percent, or approximately \$177,100, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$131,300 and the assets of the business type activities decreased by approximately \$45,800.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities includes public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the electric system, the sanitary sewer system, and the Akron Care Center (a blended component unit). These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the funds. Electric Utility, Sewer Utility, Water Utility and Akron Care Center funds are considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$450,143 to \$318,823. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities Year Ended June 30,

	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 225,531	\$ 229,950
Operating grants, contributions and restricted interest	147,009	155,139
Capital grants, contributions and restricted interest	6,435	301,322
General receipts:		
Property tax	428,789	324,989
Local option sales tax	118,445	138,625
Grants and contributions not restricted to specific purposes	13,239	6,409
Unrestricted investment earnings	749	460
Note proceeds	9,184	535,197
Other general receipts	63,569	753
Transfers, net	<u>196,643</u>	<u>230,162</u>
Total receipts and transfers	<u>\$ 1,209,593</u>	<u>\$ 1,923,006</u>

	<u>2005</u>	<u>2004</u>
Disbursements:		
Public safety	\$ 377,707	\$ 204,469
Public works	289,255	221,875
Health and social services	38,492	27,523
Culture and recreation	182,410	215,187
Community and economic development	32,000	104,605
General government	123,579	117,622
Debt service	167,199	61,356
Capital projects	<u>130,271</u>	<u>833,315</u>
Total disbursements	<u>\$ 1,340,913</u>	<u>\$ 1,785,952</u>
Increase (decrease) in cash basis net assets	\$ (131,320)	\$ 137,054
Cash basis net assets beginning of year	<u>450,143</u>	<u>313,089</u>
Cash basis net assets end of year	<u>\$ 318,823</u>	<u>\$ 450,143</u>

The City's total receipts for governmental activities decreased by 37 percent, or \$713,413. The total cost of all programs and services decreased by approximately \$445,039, or 25 percent, with no new programs added this year. The significant decrease in receipts was primarily the result of fewer proceeds received from the bank note. The significant decrease in cost of programs and services was primarily due to the completion of construction of the new fire station in 2004.

The cost of all governmental activities this year was \$1,340,913 compared to \$1,785,952 last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was only \$961,938 because some of the cost was paid by those directly benefited from the programs (\$225,531) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$153,444). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2005 from approximately \$686,000 to approximately \$379,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$547,000 in tax (some of which could only be used for certain programs), approximately \$9,200 in note proceeds, and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
Year Ended June 30,

	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for services:		
Electric utility	\$ 972,826	\$ 846,442
Akron Care Center	1,633,817	1,696,245
Water utility	151,346	159,710
Sewer utility	109,199	104,964
Utility deposits	3,250	2,995
Operating grants, contributions and restricted interest	122,751	75,303
Capital grants, contributions and restricted interest	59	1,329
General receipts:		
Unrestricted interest on investments	14,890	14,348
Note proceeds	-	606,000
Total receipts	<u>\$ 3,008,138</u>	<u>\$ 3,507,336</u>
Disbursements and transfers:		
Electric utility	\$ 789,905	\$ 661,808
Akron Care Center	1,790,855	2,449,476
Electric project	90,830	93,686
Water utility	114,277	123,534
Sewer utility	68,716	34,538
Utility deposits	2,700	3,050
Transfers	<u>196,643</u>	<u>230,162</u>
Total disbursements and transfers	<u>\$ 3,053,926</u>	<u>\$ 3,596,254</u>
Decrease in cash balance	\$ (45,788)	\$ (88,918)
Cash basis net assets beginning of year	<u>518,023</u>	<u>606,941</u>
Cash basis net assets end of year	<u>\$ 472,235</u>	<u>\$ 518,023</u>

Total business type activities receipts for the fiscal year were \$3,008,138 compared to \$3,507,336 last year. This significant decrease was due primarily to note proceeds in 2004. The cash balance decreased by approximately \$46,000 from the prior year because of operating transfers to other enterprise funds. Total disbursements and transfers for the fiscal year decreased by 15 percent to a total of \$3,053,926.

Individual Major Governmental Fund Analysis

As City of Akron completed the year, its governmental funds reported a combined fund balance of \$318,823, a decrease of \$131,320 below last year's total of \$450,143. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$85,107 from the prior year to \$6,396. The decrease is due to increased capital disbursements, which included the purchase of a new fire truck.

- The Road Use Tax Fund cash balance decreased by \$86,117 to \$110,532 during the fiscal year. This decrease was attributable to an operating transfer to the Capital Project Fund for the Housing Development.
- The Local Option Sales Tax cash was \$51,776 at the end of the fiscal year, a decrease of \$83,499 from the previous year. The decrease was due to transfers to eliminate the deficit in the Debt Service Fund from the previous year.
- The Urban Renewal Tax Increment cash balance increased by \$108,814 to \$124,576 during the fiscal year. This increase was due to the receipt of increased tax increment financing collections.

Individual Major Business Type Fund Analysis

- The Electric Utility cash balance increased by \$10,807 to \$226,122, due primarily to increased collection on charges for services.
- The Water Utility cash balance decreased by \$41,880 to \$90,792, due primarily to transfers to the General Fund and Debt Service Fund to cover the deficit balances.
- The Sewer Utility cash balance decreased by \$31,037 to \$116,591, due primarily to the transfer of funds to the General Fund and the Debt Service Fund to cover the deficit cash balances.
- The Akron Care Center cash balance increased by \$15,772 to \$29,150, due primarily to a short-term loan extended by the local option sales tax fund.

Budgetary Highlights

Over the course of the year, the City amended its budget one time. The amendment was approved on May 30, 2005 and resulted in an increase in operating revenues to provide for additional disbursements in certain City departments.

Debt Administration

At June 30, 2005, the City had approximately \$1,768,771 in bonds and other long-term debt, compared to approximately \$1,996,344 last year, as shown below.

<u>Outstanding Debt at Year-End</u>		
	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 755,368	\$ 863,749
Revenue notes	465,000	530,000
Bank notes	<u>548,403</u>	<u>602,839</u>
Total	<u>\$ 1,768,771</u>	<u>\$ 1,996,588</u>

Debt decreased as a result of payments made on revenue and bank notes.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$755,368 is below its constitutional debt limit of \$2,608,971.

Economic Factors and Next Year's Budgets and Rates

City of Akron's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the state of the economy.

The Akron Electric Utility has sustained increased electric rates, and is projected to see another increase of 5 percent for the next fiscal year. With this future increase, the City has decided that it is necessary to review the revenue on a semi-annual basis and implement an increase if deemed necessary.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$4.7 million, a decrease of 4 percent over the final 2005 budget. Proceeds from the urban renewal tax increment financing, local option sales tax, and intergovernmental grant revenues are expected to lead to this decrease. The City expects to decrease the amount of capital disbursement during 2006; therefore, budgeted disbursements decreased by approximately \$380,000. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$193,000 by the cost of 2006.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Martin, City Clerk, 220 Reed Street, Akron, Iowa, 51001.

BASIC FINANCIAL STATEMENTS

CITY OF AKRON, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

			Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Services</u>		
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 377,707	\$ 45,672	\$ 1,049	\$ 3,991
Public works	289,255	145,919	128,424	-
Health and social services	38,492	-	-	-
Culture and recreation	182,410	28,515	17,536	2,444
Community and economic development	32,000	2,000	-	-
General government	123,579	3,425	-	-
Debt service	167,199	-	-	-
Capital projects	<u>130,271</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,340,913</u>	<u>\$ 225,531</u>	<u>\$ 147,009</u>	<u>\$ 6,435</u>
Business type activities:				
Electric utility	\$ 789,905	\$ 972,826	\$ -	\$ -
Akron Care Center	1,790,855	1,633,817	122,751	59
Electric project	90,830	-	-	-
Water utility	114,277	151,346	-	-
Sewer utility	68,716	109,199	-	-
Utility deposits	<u>2,700</u>	<u>3,250</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 2,857,283</u>	<u>\$ 2,870,438</u>	<u>\$ 122,751</u>	<u>\$ 59</u>
Total	<u>\$ 4,198,196</u>	<u>\$ 3,095,969</u>	<u>\$ 269,760</u>	<u>\$ 6,494</u>
GENERAL RECEIPTS:				
Property tax levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
CHANGE IN CASH BASIS NET ASSETS				
CASH BASIS NET ASSETS BEGINNING OF YEAR				
CASH BASIS NET ASSETS END OF YEAR				
CASH BASIS NET ASSETS:				
Restricted:				
Streets				
Local option sales tax				
Urban renewal purposes				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (326,995)	\$ -	\$ (326,995)
(14,912)	-	(14,912)
(38,492)	-	(38,492)
(133,915)	-	(133,915)
(30,000)	-	(30,000)
(120,154)	-	(120,154)
(167,199)	-	(167,199)
(130,271)	-	(130,271)
<u>\$ (961,938)</u>	<u>\$ -</u>	<u>\$ (961,938)</u>
\$ -	\$ 182,921	\$ 182,921
-	(34,228)	(34,228)
-	(90,830)	(90,830)
-	37,069	37,069
-	40,483	40,483
-	550	550
<u>\$ -</u>	<u>\$ 135,965</u>	<u>\$ 135,965</u>
<u>\$ (961,938)</u>	<u>\$ 135,965</u>	<u>\$ (825,973)</u>
\$ 240,899	\$ -	\$ 240,899
47,990	-	47,990
139,900	-	139,900
118,445	-	118,445
13,239	-	13,239
749	14,890	15,639
9,184	-	9,184
17,230	-	17,230
46,339	-	46,339
196,643	(196,643)	-
<u>\$ 830,618</u>	<u>\$ (181,753)</u>	<u>\$ 648,865</u>
\$ (131,320)	\$ (45,788)	\$ (177,108)
<u>450,143</u>	<u>518,023</u>	<u>968,166</u>
<u>\$ 318,823</u>	<u>\$ 472,235</u>	<u>\$ 791,058</u>
\$ 110,532	\$ -	\$ 110,532
51,776	-	51,776
124,576	-	124,576
25,543	-	25,543
6,396	472,235	478,631
<u>\$ 318,823</u>	<u>\$ 472,235</u>	<u>\$ 791,058</u>

CITY OF AKRON, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue			Other Nonmajor	
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Governmental Funds
					Total
RECEIPTS:					
Property tax	\$ 240,899	\$ -	\$ -	\$ -	\$ 47,990
Tax increment financing collections	\$ -	\$ -	\$ 139,900	\$ -	\$ -
Other city tax:					
Local option sales tax	\$ -	\$ -	\$ -	\$ 118,445	\$ -
Licenses and permits:					
Beer and liquor licenses	\$ 2,035	\$ -	\$ -	\$ -	\$ -
Cigarette licenses	450	-	-	-	-
Building permits	1,290	-	-	-	-
Dog and cat licenses	168	-	-	-	-
	\$ 3,943	\$ -	\$ -	\$ -	\$ -
Use of money and property:					
Interest	\$ 1,689	\$ 4,619	\$ -	\$ -	\$ 65
Rents	2,105	-	-	-	-
	\$ 3,794	\$ 4,619	\$ -	\$ -	\$ 65
Intergovernmental:					
Bank franchise tax	\$ 7,926	\$ -	\$ -	\$ -	\$ -
County library aid	12,496	-	-	-	-
State grants	2,616	-	-	-	-
Road use tax allocation	-	123,804	-	-	-
	\$ 23,038	\$ 123,804	\$ -	\$ -	\$ -
Charges for services:					
Community fire department	\$ 34,722	\$ -	\$ -	\$ -	\$ -
Garbage collection fees	122,960	-	-	-	-
Swimming pool receipts	10,580	-	-	-	-
Park and recreation receipts	7,821	-	-	-	-
Miscellaneous sales and services	17,447	4,299	-	-	-
Cable TV	4,100	-	-	-	-
Police service fees	4,200	-	-	-	-
	\$ 201,830	\$ 4,299	\$ -	\$ -	\$ -
Miscellaneous:					
Gas tax refund	\$ 1,660	\$ -	\$ -	\$ -	\$ -
Fines and penalties	535	-	-	-	-
Donations and contributions	8,749	-	-	-	1,780
Miscellaneous	32,077	-	-	-	-
	\$ 43,021	\$ -	\$ -	\$ -	\$ 1,780
Total receipts	\$ 516,525	\$ 132,722	\$ 139,900	\$ 118,445	\$ 49,835
DISBURSEMENTS:					
Operating:					
Public safety:					
Police:					
Personal services	\$ 88,443	\$ -	\$ -	\$ -	\$ 18,439
Services and commodities	26,471	-	-	-	-
	\$ 114,914	\$ -	\$ -	\$ -	\$ 18,439
Jail:					
Services and commodities	\$ 13,744	\$ -	\$ -	\$ -	\$ -

CITY OF AKRON, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

(CONTINUED)

		Special Revenue			Other Nonmajor	
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Governmental Funds	Total
DISBURSEMENTS (CONTINUED):						
Fire department:						
Personal services	\$ 8,172	\$ -	\$ -	\$ -	\$ -	\$ 8,172
Services and commodities	34,677	-	-	-	-	34,677
Capital outlay	185,257	-	-	-	-	185,257
	<u>\$ 228,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,106</u>
Ambulance:						
Services and commodities	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Emergency management:						
Personal services	\$ 360	\$ -	\$ -	\$ -	\$ -	\$ 360
Services and commodities	1,144	-	-	-	-	1,144
	<u>\$ 1,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,504</u>
Total public safety	<u>\$ 359,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,439</u>	<u>\$ 377,707</u>
Public works:						
Garbage:						
Services and commodities	\$ 120,726	\$ -	\$ -	\$ -	\$ -	\$ 120,726
Roads, bridges and sidewalks:						
Personal services	\$ 5,892	\$ 34,505	\$ -	\$ -	\$ -	\$ 40,397
Services and commodities	51,001	2,944	-	-	-	53,945
Capital outlay	44,497	29,690	-	-	-	74,187
	<u>\$ 101,390</u>	<u>\$ 67,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,529</u>
Total public works	<u>\$ 222,116</u>	<u>\$ 67,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,255</u>
Health and social services:						
Clinic:						
Services and commodities	\$ 6,703	\$ -	\$ -	\$ -	\$ -	\$ 6,703
Senior center:						
Personal services	\$ 1,080	\$ -	\$ -	\$ -	\$ -	\$ 1,080
Services and commodities	21,093	-	-	-	-	21,093
Capital outlay	9,616	-	-	-	-	9,616
	<u>\$ 31,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,789</u>
Total health and social services	<u>\$ 38,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,492</u>
Culture and recreation:						
Library:						
Personal services	\$ 35,838	\$ -	\$ -	\$ -	\$ 14,073	\$ 49,911
Services and commodities	18,358	-	-	-	-	18,358
Capital outlay	-	-	-	-	24,405	24,405
	<u>\$ 54,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,478</u>	<u>\$ 92,674</u>

CITY OF AKRON, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

(CONTINUED)

		Special Revenue			Other Nonmajor	
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Governmental Funds	Total
DISBURSEMENTS (CONTINUED):						
Recreation:						
Services and commodities	\$ 27,343	\$ -	\$ -	\$ -	\$ -	\$ 27,343
Parks:						
Personal services	\$ 7,845	\$ -	\$ -	\$ -	\$ 188	\$ 8,033
Services and commodities	15,164	-	-	-	-	15,164
Capital outlay	2,539	-	-	-	-	2,539
	<u>\$ 25,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188</u>	<u>\$ 25,736</u>
Swimming pool:						
Personal services	\$ 24,269	\$ -	\$ -	\$ -	\$ -	\$ 24,269
Services and commodities	12,388	-	-	-	-	12,388
	<u>\$ 36,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,657</u>
Total culture and recreation	<u>\$ 143,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,666</u>	<u>\$ 182,410</u>
Community and economic development:						
Economic development:						
Services and commodities	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 12,000
Housing and urban renewal:						
Capital outlay	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Total Community and economic development	<u>\$ 32,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,000</u>
General government:						
Personal services	\$ 43,492	\$ -	\$ -	\$ -	\$ 11,344	\$ 54,836
Services and commodities	67,335	-	-	-	-	67,335
Capital outlay	1,408	-	-	-	-	1,408
Total general government	<u>\$ 112,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,344</u>	<u>\$ 123,579</u>
Debt service:						
Principal redemption	\$ -	\$ -	\$ -	\$ -	\$ 117,565	\$ 117,565
Interest	-	-	-	-	49,634	49,634
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,199</u>	<u>\$ 167,199</u>
Capital projects:						
Services and commodities	\$ -	\$ -	\$ -	\$ -	\$ 21,013	\$ 21,013
Capital outlay	-	-	-	-	109,258	109,258
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,271</u>	<u>\$ 130,271</u>
Total disbursements	<u>\$ 907,855</u>	<u>\$ 67,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,919</u>	<u>\$ 1,340,913</u>

CITY OF AKRON, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

(CONTINUED)

		Special Revenue			Other Nonmajor	
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Governmental Funds	Total
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (391,330)	\$ 65,583	\$ 139,900	\$ 118,445	\$ (316,084)	\$ (383,486)
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	\$ 46,339	\$ -	\$ -	\$ -	\$ -	\$ 46,339
Proceeds from note payable	-	-	-	-	9,184	9,184
Operating transfers in	259,884	-	-	-	321,536	581,420
Operating transfers out	-	(151,700)	(31,086)	(201,944)	(47)	(384,777)
Total other financing sources (uses)	\$ 306,223	\$ (151,700)	\$ (31,086)	\$ (201,944)	\$ 330,673	\$ 252,166
NET CHANGE IN CASH BALANCES	\$ (85,107)	\$ (86,117)	\$ 108,814	\$ (83,499)	\$ 14,589	\$ (131,320)
CASH BALANCES BEGINNING OF YEAR	91,503	196,649	15,762	135,275	10,954	450,143
CASH BALANCES END OF YEAR	\$ 6,396	\$ 110,532	\$ 124,576	\$ 51,776	\$ 25,543	\$ 318,823
CASH BASIS FUND BALANCES						
Unreserved:						
General fund	\$ 6,396	\$ -	\$ -	\$ -	\$ -	\$ 6,396
Special revenue funds	-	110,532	124,576	51,776	24,642	311,526
Capital projects funds	-	-	-	-	901	901
Total cash basis fund balances	\$ 6,396	\$ 110,532	\$ 124,576	\$ 51,776	\$ 25,543	\$ 318,823

See notes to financial statements.

CITY OF AKRON, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Funds					
	Electric Utility	Water Utility	Sewer Utility	Akron Care Center	Other Nonmajor Enterprise Funds	Total
OPERATING RECEIPTS:						
Use of money and property:						
Rent	\$ -	\$ -	\$ -	\$ 122,751	\$ -	\$ 122,751
Interest	9,068	2,635	3,187	59	-	14,949
	<u>\$ 9,068</u>	<u>\$ 2,635</u>	<u>\$ 3,187</u>	<u>\$ 122,810</u>	<u>\$ -</u>	<u>\$ 137,700</u>
Charges for services:						
Metered sales and charges	\$ 902,628	\$ 147,704	\$ 106,681	\$ 1,633,817	\$ -	\$ 2,790,830
Miscellaneous sales	70,198	3,642	2,518	-	-	76,358
	<u>\$ 972,826</u>	<u>\$ 151,346</u>	<u>\$ 109,199</u>	<u>\$ 1,633,817</u>	<u>\$ -</u>	<u>\$ 2,867,188</u>
Miscellaneous:						
Other receipts	\$ -	\$ -	\$ -	\$ -	\$ 3,250	\$ 3,250
Total operating receipts	<u>\$ 981,894</u>	<u>\$ 153,981</u>	<u>\$ 112,386</u>	<u>\$ 1,756,627</u>	<u>\$ 3,250</u>	<u>\$ 3,008,138</u>
OPERATING DISBURSEMENTS:						
Business type activities:						
Personal services	\$ 164,651	\$ 56,525	\$ 24,799	\$ 1,326,643	\$ -	\$ 1,572,618
Services and commodities	574,701	39,754	17,434	364,533	2,700	999,122
Capital outlay	50,553	17,998	26,483	26,216	-	121,250
Total operating disbursements	<u>\$ 789,905</u>	<u>\$ 114,277</u>	<u>\$ 68,716</u>	<u>\$ 1,717,392</u>	<u>\$ 2,700</u>	<u>\$ 2,692,990</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>\$ 191,989</u>	<u>\$ 39,704</u>	<u>\$ 43,670</u>	<u>\$ 39,235</u>	<u>\$ 550</u>	<u>\$ 315,148</u>
NON-OPERATING DISBURSEMENTS:						
Debt service:						
Principal redemption	\$ -	\$ -	\$ -	\$ (54,436)	\$ (65,000)	\$ (119,436)
Interest	-	-	-	(19,027)	(25,830)	(44,857)
Total non-operating disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,463)</u>	<u>\$ (90,830)</u>	<u>\$ (164,293)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 191,989</u>	<u>\$ 39,704</u>	<u>\$ 43,670</u>	<u>\$ (34,228)</u>	<u>\$ (90,280)</u>	<u>\$ 150,855</u>
OPERATING TRANSFERS IN (OUT)	<u>\$ (181,182)</u>	<u>\$ (81,584)</u>	<u>\$ (74,707)</u>	<u>\$ 50,000</u>	<u>\$ 90,830</u>	<u>\$ (196,643)</u>
NET CHANGE IN CASH BALANCES	<u>\$ 10,807</u>	<u>\$ (41,880)</u>	<u>\$ (31,037)</u>	<u>\$ 15,772</u>	<u>\$ 550</u>	<u>\$ (45,788)</u>
CASH BALANCES BEGINNING OF YEAR	<u>215,315</u>	<u>132,672</u>	<u>147,628</u>	<u>13,378</u>	<u>9,030</u>	<u>518,023</u>
CASH BALANCES END OF YEAR	<u>\$ 226,122</u>	<u>\$ 90,792</u>	<u>\$ 116,591</u>	<u>\$ 29,150</u>	<u>\$ 9,580</u>	<u>\$ 472,235</u>
CASH BASIS FUND BALANCES						
Unreserved	<u>\$ 226,122</u>	<u>\$ 90,792</u>	<u>\$ 116,591</u>	<u>\$ 29,150</u>	<u>\$ 9,580</u>	<u>\$ 472,235</u>

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Akron, Iowa, is a political subdivision of the State of Iowa located in Plymouth County. It was first incorporated in 1882 and operates under the Home Rule provision of the Constitution of Iowa. The City operates under the mayor-council form of government with the mayor and council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and electric utilities for its citizens.

Reporting Entity - For financial reporting purposes, the City of Akron, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Akron, Iowa (the primary government), and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from the component unit's administrative offices.

Blended Component Unit - The Akron City Convalescent Care Center (Care Center) is an administrative agency of the City established under Section 392 of the Code of Iowa. The Care Center's relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Care Center is governed by an elected board of trustees.

The City includes the Care Center in its adopted cash basis budget.

The Care Center purchases its electricity, water, sewer and garbage services from the City. Total Utility purchases were \$25,470 for the year ended June 30, 2005.

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Care Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The Care Center's financial information, as presented in these financial statements, has been adjusted to reflect financial information on the basis of cash receipts and cash disbursements. Certain disclosures about the component unit are not included because the component unit has been audited separately and a report has been issued. The audited financial statements are available at the Care Center's office.

Jointly Governed Organizations - The City also participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Community Education Program, Rural Fire Association, Plymouth County Landfill Board and E-911 Board.

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information of all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function.

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor funds.

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved fund balance consists of the portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved fund balance is composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represents tentative plans for future use of financial resources.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for receipt of City's share of the one percent local option sales tax.

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The City reports the following major proprietary funds:

The Electric Utility Fund accounts for the operation and maintenance of the City's electric system.

The Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Akron Care Center Fund accounts for the blended component unit described above.

Measurement Focus and Basis of Accounting - The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements general result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the community and economic development function.

CASH AND POOLED INVESTMENTS:

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

CASH AND POOLED INVESTMENTS (CONTINUED):

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. During the year ended June 30, 2005, the City held no investments.

BONDS AND NOTES PAYABLE:

Annual debt service requirements to maturity for general obligation bonds, revenue notes, and bank note payable are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes	
	Principal	Interest	Principal	Interest
2006	\$ 66,426	\$ 35,998	\$ 70,000	\$ 22,440
2007	72,708	32,735	70,000	19,185
2008	74,054	29,140	75,000	15,895
2009	80,464	25,457	80,000	12,295
2010	81,943	21,428	85,000	8,415
2011-2015	184,538	69,442	85,000	4,250
2016-2020	<u>195,235</u>	<u>20,702</u>	-	-
Total	<u>\$ 755,368</u>	<u>\$ 234,902</u>	<u>\$ 465,000</u>	<u>\$ 82,480</u>

Year Ending June 30,	Bank Note Payable		Total	
	Principal	Interest	Principal	Interest
2006	\$ 56,055	\$ 17,409	\$ 192,481	\$ 75,847
2007	57,933	15,531	200,641	67,451
2008	59,874	13,590	208,928	58,625
2009	61,880	11,584	222,344	49,336
2010	63,953	9,511	230,896	39,354
2011-2015	248,708	14,538	518,246	88,230
2016-2020	-	-	<u>195,235</u>	<u>20,702</u>
Total	<u>\$ 548,403</u>	<u>\$ 82,163</u>	<u>\$ 1,768,771</u>	<u>\$ 399,545</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

BONDS AND NOTES PAYABLE (CONTINUED):

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient transfers shall be made to a separate electric revenue note sinking account, (Electric Project Fund) for the purpose of making the note principal and interest payments when due.

The City has a bank note payable with an original principal of \$625,000. The note financed the construction of the Village North Apartment Complex, an 8-unit assisted living facility completed in December 2003. Interest on the note is 3.5 percent per annum. The note is payable in 120 equal monthly installments of \$6,122, including interest at 3.5 percent. The note shall be payable solely and only out of the net revenue of the Care Center and shall be a first lien on the future net revenues of the Care Center.

PENSION AND RETIREMENT BENEFITS:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll, except for police employees, in which case the percentages are 6.16 percent and 9.23 percent, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93 percent and 8.907 percent, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04 percent and 9.07 percent, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$79,284, \$79,470, and \$79,854, respectively, equal to the required contribution for each year.

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005 was \$10,133 for the primary government and \$79,340 for the Care Center. This liability has been computed based on rates of pay as of June 30, 2005.

JOINT VENTURE:

The City, jointly with Plymouth County and various municipalities within Plymouth County, created the Plymouth County Solid Waste Agency (Agency) in 1974. The intergovernmental agreement provides for the joint establishment, construction, equipping, maintenance and use of a solid waste disposal facility. Each municipality using the facility pays a user fee. Landfill fees for the year ended June 30, 2005, totaled \$51,534. The Agency annually sets aside amounts deemed necessary to cover closure costs; each municipality using the facility will be responsible for shortages, if any, that may result upon future closure of this facility. Financial statements of the Agency are available from the Plymouth County Solid Waste Agency.

INTERFUND TRANSFERS:

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 43,423
	Road Use Tax	30,000
	Capital Projects:	
	Child Care Center	47
	Enterprise:	
	Water Utility	56,864
	Sewer Utility	49,987
	Electric Utility	<u>79,563</u>
		<u>\$ 259,884</u>
Special Revenue:	Special Revenue:	
Library Trust	Local Option Sales Tax	<u>\$ 3,237</u>

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

INTERFUND TRANSFERS (CONTINUED):

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax	
	Increment	\$ 31,086
	Local Option Sales Tax	105,284
	Enterprise:	
	Water Utility	24,720
	Sewer Utility	24,720
	Electric Utility	<u>10,789</u>
		<u>\$ 196,599</u>
Capital Projects:	Special Revenue:	
Housing Development	Road Use Tax	\$ 112,700
Storm Sewer	Road Use Tax	<u>9,000</u>
		<u>\$ 121,700</u>
Enterprise:	Enterprise:	
Electric Bond	Electric Utility	\$ 90,830
Akron Care Center	Special Revenue:	
	Local Option Sales Tax	<u>50,000</u>
		<u>\$ 140,830</u>
	Total	<u>\$ 722,250</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

RELATED PARTY TRANSACTIONS:

The City had business transactions between the City and City officials totaling \$1,415 during the year ended June 30, 2005.

RISK MANAGEMENT:

The City of Akron, Iowa, and its component unit are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF AKRON, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

RISK MANAGEMENT (CONTINUED):

The Care Center carries professional liability (malpractice) insurance under an occurrence-basis policy.

The Care Center's workers' compensation insurance coverage is purchased from an association of Iowa long-term care providers. The program includes a minimum contribution to cover projected claims and administration costs as well as a potential maximum contribution level. If a member's actual claims for any policy year exceed the claim fund amount included in the minimum contribution, after adjustment for actual payrolls, the member is required to contribute the excess, up to the stated maximum contribution.

Losses for claims in excess of the minimum contributions to the claim fund are accrued when information provided by the Association indicates an assessment is probable and can be reasonably estimated. At June 30, 2005, there were no claims in excess of the minimum contributions to the claim fund.

COMMITMENTS:

The City entered into a construction contract for \$215,490 for a storm sewer project. The project will begin after June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AKRON, IOWA

BUDGETARY COMPARISON SCHEDULE

OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -

BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2005

	Governmental Funds	Proprietary Funds	Less Funds Not Required To Be		Budgeted Amounts		Final to Net
	<u>Actual</u>	<u>Actual</u>	<u>Budgeted</u>	<u>Net</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>
RECEIPTS:							
Property tax	\$ 288,889	\$ -	\$ -	\$ 288,889	\$ 295,441	\$ 295,441	\$ (6,552)
Tax increment financing revenues	139,900	-	-	139,900	100,790	138,990	910
Other city tax	118,445	-	-	118,445	102,930	118,930	(485)
Licenses and permits	3,943	-	-	3,943	6,685	6,685	(2,742)
Use of money and property	8,478	137,700	-	146,178	21,750	21,750	124,428
Intergovernmental	146,842	-	-	146,842	196,705	215,305	(68,463)
Charges for services	206,129	2,867,188	-	3,073,317	3,266,806	3,266,806	(193,489)
Miscellaneous	<u>44,801</u>	<u>3,250</u>	<u>-</u>	<u>48,051</u>	<u>13,300</u>	<u>16,400</u>	<u>31,651</u>
Total receipts	<u>\$ 957,427</u>	<u>\$ 3,008,138</u>	<u>\$ -</u>	<u>\$ 3,965,565</u>	<u>\$ 4,004,407</u>	<u>\$ 4,080,307</u>	<u>\$ (114,742)</u>
DISBURSEMENTS:							
Public safety	\$ 377,707	\$ -	\$ -	\$ 377,707	\$ 219,289	\$ 407,589	\$ 29,882
Public works	289,255	-	-	289,255	333,701	363,701	74,446
Health and social services	38,492	-	-	38,492	51,507	52,757	14,265
Culture and recreation	182,410	-	-	182,410	220,519	189,819	7,409
Community and economic development	32,000	-	-	32,000	75,000	25,000	(7,000)
General government	123,579	-	-	123,579	105,209	127,709	4,130
Debt service	167,199	-	-	167,199	111,017	167,267	68
Capital projects	130,271	-	-	130,271	-	131,190	919
Business type activities	<u>-</u>	<u>2,857,283</u>	<u>-</u>	<u>2,857,283</u>	<u>2,978,461</u>	<u>3,043,451</u>	<u>186,168</u>
Total disbursements	<u>\$ 1,340,913</u>	<u>\$ 2,857,283</u>	<u>\$ -</u>	<u>\$ 4,198,196</u>	<u>\$ 4,094,703</u>	<u>\$ 4,508,483</u>	<u>\$ 310,287</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (383,486)	\$ 150,855	\$ -	\$ (232,631)	\$ (90,296)	\$ (428,176)	
OTHER FINANCING SOURCES, NET	<u>252,166</u>	<u>(196,643)</u>	<u>-</u>	<u>55,523</u>	<u>40,000</u>	<u>80,000</u>	
DEFICIENCY OF RECEIPTS AND OTHER FINANCING SOURCES UNDER DISBURSEMENTS AND OTHER FINANCING USES	\$ (131,320)	\$ (45,788)	\$ -	\$ (177,108)	\$ (50,296)	\$ (348,176)	
BALANCE, BEGINNING OF YEAR	<u>450,143</u>	<u>518,023</u>	<u>-</u>	<u>968,166</u>	<u>827,699</u>	<u>827,699</u>	
BALANCE, END OF YEAR	<u>\$ 318,823</u>	<u>\$ 472,235</u>	<u>\$ -</u>	<u>\$ 791,058</u>	<u>\$ 777,403</u>	<u>\$ 479,523</u>	

CITY OF AKRON, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -

BUDETARY REPORTING

JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$75,900 and budgeted disbursements by \$413,780. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the community and economic development function.

OTHER SUPPLEMENTARY INFORMATION

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue		Capital Project					
	Employee	Library	Child Care	Fire	Storm	Housing	Debt	Total
	Benefits	Improvement Trust	Center	Station	Sewer	Development	Service	
RECEIPTS:								
Property tax	\$ 47,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,990
Use of money and property:								
Interest	-	65	-	-	-	-	-	65
Miscellaneous:								
Donations and contributions	-	1,780	-	-	-	-	-	1,780
Total receipts	\$ 47,990	\$ 1,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,835
DISBURSEMENTS:								
Operating:								
Public safety:								
Police:								
Personal services	\$ 18,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,439
Culture and recreation:								
Library:								
Personal services	\$ 14,073	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,073
Capital outlay	-	24,405	-	-	-	-	-	24,405
	\$ 14,073	\$ 24,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,478
Parks:								
Personal services	\$ 188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188
Total culture and recreation	\$ 14,261	\$ 24,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,666
General government:								
Personal services	\$ 11,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,344
Debt service:								
Principal redemption	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,565	\$ 117,565
Interest	-	-	-	-	-	-	49,634	49,634
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,199	\$ 167,199
Capital projects:								
Services and commodities	\$ -	\$ -	\$ -	\$ 220	\$ 8,099	\$ 12,694	\$ -	\$ 21,013
Capital outlay	-	-	-	8,964	-	100,294	-	109,258
	\$ -	\$ -	\$ -	\$ 9,184	\$ 8,099	\$ 112,988	\$ -	\$ 130,271
Total disbursements	\$ 44,044	\$ 24,405	\$ -	\$ 9,184	\$ 8,099	\$ 112,988	\$ 167,199	\$ 365,919
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,946	\$ (22,560)	\$ -	\$ (9,184)	\$ (8,099)	\$ (112,988)	\$ (167,199)	\$ (316,084)
OTHER FINANCING SOURCES (USES):								
Proceeds from note payable	\$ -	\$ -	\$ -	\$ 9,184	\$ -	\$ -	\$ -	\$ 9,184
Operating transfers in	-	3,237	-	-	9,000	112,700	196,599	321,536
Operating transfers out	-	-	(47)	-	-	-	-	(47)
Total other financing sources (uses)	\$ -	\$ 3,237	\$ (47)	\$ 9,184	\$ 9,000	\$ 112,700	\$ 196,599	\$ 330,673
NET CHANGE IN CASH BALANCES	\$ 3,946	\$ (19,323)	\$ (47)	\$ -	\$ 901	\$ (288)	\$ 29,400	\$ 14,589
CASH BALANCES BEGINNING OF YEAR	17,249	22,770	47	-	-	288	(29,400)	10,954
CASH BALANCES END OF YEAR	\$ 21,195	\$ 3,447	\$ -	\$ -	\$ 901	\$ -	\$ -	\$ 25,543
CASH BASIS FUND BALANCES								
Unreserved:								
Special revenue funds	\$ 21,195	\$ 3,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,642
Capital projects funds	-	-	-	-	901	-	-	901
Total cash basis fund balances	\$ 21,195	\$ 3,447	\$ -	\$ -	\$ 901	\$ -	\$ -	\$ 25,543

CITY OF AKRON, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

NONMAJOR PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Funds		
	Electric Project	Utility Deposits	Total
OPERATING RECEIPTS:			
Miscellaneous:			
Other receipts	\$ -	\$ 3,250	\$ 3,250
Total operating receipts	\$ -	\$ 3,250	\$ 3,250
OPERATING DISBURSEMENTS:			
Services and commodities	\$ -	\$ 2,700	\$ 2,700
Total operating disbursements	\$ -	\$ 2,700	\$ 2,700
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	\$ -	\$ 550	\$ 550
NON-OPERATING DISBURSEMENTS:			
Debt service:			
Principal redemption	\$ (65,000)	\$ -	\$ (65,000)
Interest	(25,830)	-	(25,830)
Total non-operating disbursements	\$ (90,830)	\$ -	\$ (90,830)
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (90,830)	\$ 550	\$ (90,280)
OPERATING TRANSFERS IN	90,830	-	90,830
NET CHANGE IN CASH BALANCES	\$ -	\$ 550	\$ 550
CASH BALANCES BEGINNING OF YEAR	-	9,030	9,030
CASH BALANCES END OF YEAR	\$ -	\$ 9,580	\$ 9,580
CASH BASIS FUND BALANCES			
Unreserved	\$ -	\$ 9,580	\$ 9,580
Total cash basis fund balances	\$ -	\$ 9,580	\$ 9,580

CITY OF AKRON, IOWA

SCHEDULE OF INDEBTEDNESS

YEAR ENDED JUNE 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Notes:									
Medical Clinic - FmHA	06-01-91	5.875%	\$ 125,000	\$ 58,552	\$ -	\$ 58,552	\$ -	\$ 1,677	\$ -
Fire Station Project	10-08-03	4.75%	550,000	535,197	9,184	19,013	525,368	33,969	-
Housing Development	12-01-97	4.3-5.15%	470,000	<u>270,000</u>	<u>-</u>	<u>40,000</u>	<u>230,000</u>	<u>13,988</u>	<u>-</u>
Total				<u>\$ 863,749</u>	<u>\$ 9,184</u>	<u>\$ 117,565</u>	<u>\$ 755,368</u>	<u>\$ 49,634</u>	<u>\$ -</u>
Revenue Notes:									
Electric Project	05-01-99	4.25-5.00%	\$ 820,000	<u>\$ 530,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 465,000</u>	<u>\$ 25,830</u>	<u>\$ -</u>
Bank Note Payable:									
8-Plex Assisted Living Project	06-10-03	3.30%	\$ 625,000	<u>\$ 602,839</u>	<u>\$ -</u>	<u>\$ 54,436</u>	<u>\$ 548,403</u>	<u>\$ 19,027</u>	<u>\$ -</u>

CITY OF AKRON, IOWA

BOND AND NOTE MATURITIES

JUNE 30, 2005

General Obligation Notes					
Year Ending	Fire Station October 8, 2003		Housing Development December 1, 1997		Total
	Interest Rate	Amount	Interest Rates	Amount	
June 30,					
2006	4.75%	\$ 26,426	4.95%	\$ 40,000	\$ 66,426
2007	4.75%	27,708	5.00%	45,000	72,708
2008	4.75%	29,054	5.05%	45,000	74,054
2009	4.75%	30,464	5.10%	50,000	80,464
2010	4.75%	31,943	5.15%	50,000	81,943
2011	4.75%	33,493	-	-	33,493
2012	4.75%	35,120	-	-	35,120
2013	4.75%	36,825	-	-	36,825
2014	4.75%	38,613	-	-	38,613
2015	4.75%	40,487	-	-	40,487
2016	4.75%	42,453	-	-	42,453
2017	4.75%	44,513	-	-	44,513
2018	4.75%	46,675	-	-	46,675
2019	4.75%	48,941	-	-	48,941
2020	4.75%	12,653	-	-	12,653
		<u>\$ 525,368</u>		<u>\$ 230,000</u>	<u>\$ 755,368</u>
Year Ending	Revenue Note Electric Revenue Capital Note May 1, 1999		Bank Note Payable 8-Plex Assisted Living Note June 10, 2003		
	Interest Rates	Amount	Interest Rates	Amount	
June 30,					
2006	4.65%	\$ 70,000	3.50%	\$ 56,055	
2007	4.70%	70,000	3.50%	57,933	
2008	4.80%	75,000	3.50%	59,874	
2009	4.85%	80,000	3.50%	61,880	
2010	4.90%	85,000	3.50%	63,953	
2011	5.00%	85,000	3.50%	66,096	
2012		-	3.50%	68,310	
2013		-	3.50%	70,599	
2014		-	3.50%	43,703	
		<u>\$ 465,000</u>		<u>\$ 548,403</u>	

CITY OF AKRON, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTIONALL GOVERNMENTAL FUNDSFOR THE LAST FIVE YEARS

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
RECEIPTS:					
Property tax	\$ 288,889	\$ 266,448	\$ 274,470	\$ 281,329	\$ 275,979
Tax increment financing collections	139,900	58,541	66,311	42,497	5,358
Other city tax	118,445	138,625	76,940	22,589	-
Licenses and permits	3,943	3,173	3,322	2,550	2,694
Use of money and property	8,478	5,043	53,702	19,693	43,159
Intergovernmental	146,842	420,861	218,060	176,097	166,938
Charges for services	206,129	218,758	193,651	215,133	181,162
Miscellaneous	<u>44,801</u>	<u>45,698</u>	<u>35,066</u>	<u>42,089</u>	<u>59,948</u>
Total	<u>\$ 957,427</u>	<u>\$ 1,157,147</u>	<u>\$ 921,522</u>	<u>\$ 801,977</u>	<u>\$ 735,238</u>
DISBURSEMENTS:					
Operating:					
Public safety	\$ 377,707	\$ 204,469	\$ 224,168	\$ 172,517	\$ 155,074
Public works	289,255	221,875	363,248	199,465	214,586
Health and social services	38,492	27,523	7,466	9,088	8,709
Culture and recreation	182,410	215,187	203,441	193,315	163,431
Community and economic development	32,000	104,605	-	-	-
General government	123,579	117,622	111,495	102,995	94,625
Debt service	167,199	61,356	100,487	104,547	108,537
Capital projects	<u>130,271</u>	<u>833,315</u>	<u>174,357</u>	<u>23,328</u>	<u>9,291</u>
Total	<u>\$ 1,340,913</u>	<u>\$ 1,785,952</u>	<u>\$ 1,184,662</u>	<u>\$ 805,255</u>	<u>\$ 754,253</u>

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Akron, Iowa

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Akron, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Akron's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Akron's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in Part I of the accompanying schedule of findings and responses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in Part I is not a material weakness.

To the Honorable Mayor and
Members of the City Council
City of Akron, Iowa

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Akron's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We also noted certain additional matters that we reported to management of City of Akron, Iowa in a separate letter dated September 2, 2005.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Akron, Iowa and other parties to whom the City of Akron, Iowa may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Akron, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Sioux City, Iowa
September 2, 2005

King, Reinsch, Prosser & Co., L.L.P.

CITY OF AKRON, IOWA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance

No matters were noted.

Reportable Conditions

05-I-A Mayor's Signature Stamp - During our audit we became aware that the Mayor's signature stamp is not adequately safeguarded.

Recommendation - The Mayor's signature stamp should be controlled by the Mayor.

Response - Subsequent to June 30, 2005 the signature stamp is in the Mayor's possession.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

05-II-C Questionable Disbursements - No disbursements were noted that did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

CITY OF AKRON, IOWA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (Continued):

05-II-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

05-II-E Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Harold Higman, Mayor, Owner of Higman Sand & Gravel	Rock and Sand	<u>\$1,415</u>

05-II-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

05-II-G Council Minutes - We noted no instances of noncompliance with the Council minutes provisions of the Code of Iowa.

05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy.